

08 October 2024

# Dayang Enterprise

## Secured Work Orders for Six Vessels

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**DAYANG** secured work orders for six of its accommodation work boats, but no contract value was announced. We reckon the daily charter rates could range between RM80,000-RM100,000 but deem the win within expectations. Post recent sell-down, the stock appears to be extremely attractive, trading at 9.3x FY24F PER against its 5-year historical average of 11.7x. We maintain our earnings forecasts, TP of RM3.80 and OUTPERFORM call.

DAYANG announced on Bursa Malaysia that it has secured work orders for six of its accommodation work boats, with contract start date ranging from July to August 2024 and durations spanning 61 to 153 days. While no contract value was disclosed, based on our channel checks, four-point mooring work boats with up to 200 pax accommodation capacity could fetch RM80,000-100,000/day. This would amount to revenue of approximately RM58m, assuming an average daily charter rate (DCR) of RM90,000 and an average contract duration of 107 days.

We deem this win within expectations, as we have already factored in upside for DAYANG's vessels, as well as its subsidiary PERDANA (NOT RATED), with projected DCR improvements for both FY24F and FY25F, resulting in expected EPS growth of 37% and 135%, respectively. Additionally, this development helps alleviate near-term concerns over a potential slowdown in upstream maintenance activities in Sarawak following the news of Petronas-PETROS discussions that surfaced in July 2024.

**Outlook.** With an order book valued at RM1.4b, the company has more than sufficient runway to sustain its topside maintenance work orders in FY24 which will also mark the tail-end of the yearly extension of its previous umbrella topside maintenance and hook-up & commissioning (HUC) contracts from Petronas and other clients. We believe that the next round of umbrella contracts could be awarded by the end of FY24, and if not, DAYANG is likely to secure extensions for its maintenance works due to the expected high demand.

**Forecasts.** Maintained.

**Valuations.** We maintain TP at RM3.80 pegged to an unchanged 13x FY25F PER, which is at a 1x multiple premium to the average forward P/E of 12x of its peers, i.e. PENERGY (Not Rated), DELEUM (Not Rated) and UZMA (Not Rated) during the up-cycle in 2014 to reflect DAYANG's market leader position in the topside maintenance space.

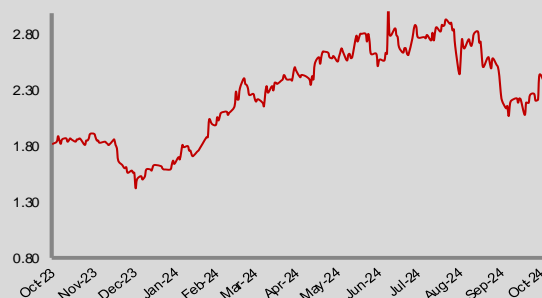
**Investment case.** We like DAYANG due to: (i) the sustained ramp-up in upstream maintenance activities as well as the anticipated expansion in project margins due to better contract terms secured, (ii) its net cash balance sheet allowing for more potential expansions, and (iii) its marine division (PERDANA, NOT RATED) set to benefit from the boom in OSV up-cycle. Maintain OUTPERFORM.

**Risks to our call include:** (i) significant decline in Brent crude prices, (ii) unexpected vessel downtime due to unplanned maintenance, and (iii) decline in oil producers' planned capex.

# OUTPERFORM ↔

Price: RM2.40  
Target Price: RM3.80 ↔

### Share Price Performance



KLCI 1,635.29  
YTD KLCI chg 12.4%  
YTD stock price chg 50.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	2,778.7
Shares outstanding	1,157.8
52-week range (H)	3.09
52-week range (L)	1.43
3-mth avg. daily vol.	4,400,329
Free Float	56%
Beta	1.2

### Major Shareholders

Naim Holdings Bhd	24.2%
Ling Suk Kiong	7.1%
Ling Siew Loung	3.9%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	1113.0	1310.2	1391.1
EBIT	355.9	493.8	532.4
PBT	337.4	429.8	484.5
<b>Net Profit (NP)</b>	<b>218.9</b>	<b>300.2</b>	<b>338.4</b>
<b>Core NP (CNP)</b>	<b>218.9</b>	<b>300.2</b>	<b>338.4</b>
Consensus (CNP)	-	292.8	315.9
Earnings Revision (%)	-	-	-
Core EPS (sen)	18.9	25.9	29.1
EPS Growth (%)	85.8	37.1	12.6
DPS (sen)	4.5	6.2	7.0
BV/Share (RM)	1.63	1.84	2.08
PER (x)	12.7	9.3	8.2
PBV (x)	1.5	1.3	1.2
Net-Gearing (x)	0.0	-0.2	-0.3
Div. Yield (%)	1.9	2.6	2.9





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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
BUMI ARMADA BHD	OP	0.515	0.600	16.5%	3,052.9	N	12/2024	15.1	11.9	167.5%	-21.6%	3.4	4.3	0.5	14.5%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	2.40	3.80	58.3%	2,778.7	Y	12/2024	25.9	29.1	37.1%	12.7%	9.3	8.2	1.5	17.0%	6.0	2.5%
DIALOG GROUP BHD	OP	2.26	3.37	49.1%	12,752.5	Y	06/2025	11.1	11.8	3.6%	5.6%	20.3	19.2	2.0	10.3%	5.0	2.2%
KEYFIELD INTERNATIONAL	OP	2.30	3.18	38.3%	1,847.2	Y	12/2024	23.1	28.9	81.2%	25.0%	10.0	8.0	2.7	38.3%	5.0	2.2%
MISC BHD	MP	7.78	8.09	4.0%	34,727.9	Y	12/2024	52.9	52.3	9.7%	-1.2%	14.7	14.9	0.9	5.9%	30.0	3.9%
PETRONAS CHEMICALS GROUP	MP	5.83	5.52	-5.3%	46,640.0	Y	12/2024	29.1	36.8	43.2%	26.3%	20.0	15.9	1.1	5.7%	15.0	2.6%
PETRONAS DAGANGAN BHD	OP	18.42	21.20	15.1%	18,299.4	Y	12/2024	99.7	109.8	1.4%	10.1%	18.5	16.8	3.1	16.9%	80.0	4.3%
PETRON MALAYSIA REFINING	MP	4.56	4.15	-9.0%	1,231.2	Y	12/2024	65.6	87.4	-34.9%	33.3%	7.0	5.2	0.5	7.0%	20.0	4.4%
VELESTO ENERGY BHD	OP	0.210	0.300	42.9%	1,725.3	Y	12/2024	1.8	2.0	46.6%	11.4%	11.8	10.6	0.7	5.7%	0.0	0.0%
WASCO BHD	OP	1.13	1.70	50.4%	875.0	Y	12/2024	14.5	16.4	-60.1%	13.0%	7.8	6.9	1.1	14.8%	2.0	1.8%
YINSON HOLDINGS BHD	OP	2.67	3.55	33.0%	7,910.0	N	01/2025	14.7	14.8	22.1%	1.1%	18.2	18.0	1.6	8.6%	4.0	1.5%
<b>SECTOR AGGREGATE</b>					<b>132,933.3</b>							<b>15.4</b>	<b>14.2</b>	<b>1.4</b>	<b>12.2%</b>		<b>1.9%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Transition to Low-Carbon Future	★	★	★	★	
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Supply Chain Management	★	★			
	Energy Efficiency	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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